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# Germany

# Oilseeds and Products

# Farmers Plant Less Rapeseed for 2008 Due to Price Relation to Wheat

# 2007

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**Report Highlights:**
German rapeseed production in 2007 is estimated at 5.3 million metric tons (MT) compared to 5.34 million MT in 2006. The increase in rapeseed area was offset by lower yields. All through 2007, rapeseed prices have been higher than in 2006. However, in August 2007, when plantings for the 2008 rapeseed crop occurred, the gap between rapeseed and baking wheat prices had narrowed to the extent that farmers reduced their rapeseed planting by about 8-10 percent according to industry estimates.

Note: This report contains updated oilseed production numbers for 2007 recently published by the German government.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Berlin [GM1]
[GM]

**Preliminary Final Crop Estimate for 2007**

The German Federal Office for Statistics (*destatis*) reports the preliminary final rapeseed production for the 2007 harvest at 5.3 million MT (5.28 million MT winter rapeseed and 24,300 MT summer rapeseed). This is a decrease of 0.6 percent compared to the harvest of 2006, when 5.34 million MT rapeseed were harvested. The seemingly stable production occurred despite a 8 percent reduction in yields, which was offset by an 8 percent expansion of the area. A lack of spring rain and high incidents of the black leg fungus (*Phoma lingam*) contributed to the lower yields. Details about the geographical distribution of rapeseed area, production, and yields are shown in tables 2 and 3. Final figures are expected for April 2008.

**Table 2: German Area and Production of Total Rapeseed[1] by State***

| | Area | | | Production | | |
|---|---|---|---|---|---|---|
| State | 2006 Final (1000 ha) | 2007 Preliminary Final (1000 ha) | Change (in %) | 2006 Final (1000 MT) | 2007 Preliminary Final (1000 MT) | Change (in %) |
| Mecklenburg-West Pomerania | 244.3 | 257.2 | 5.3 | 936.0 | 870.4 | -7.0 |
| Bavaria | 161.1 | 171.0 | 6.1 | 605.6 | 685.5 | 13.2 |
| Saxony-Anhalt | 162.0 | 184.1 | 13.6 | 612.2 | 569.8 | -6.9 |
| Lower Saxony | 132.2 | 152.9 | 15.7 | 498.6 | 478.0 | -4.1 |
| Schleswig-Holstein | 113.2 | 120.7 | 6.6 | 440.4 | 470.5 | 6.8 |
| Saxony | 130.5 | 141.6 | 8.5 | 454.7 | 463.7 | 2.0 |
| Thuringia | 116.1 | 125.2 | 7.8 | 434.2 | 410.3 | -5.5 |
| Brandenburg | 124.9 | 132.6 | 6.2 | 412.7 | 398.8 | -3.4 |
| Baden-Wuerttemberg | 70.0 | 72.9 | 4.1 | 276.5 | 304.2 | 10.0 |
| North Rhine-Westphalia | 68.8 | 77.6 | 12.8 | 259.1 | 268.6 | 3.7 |
| Hessia | 63.1 | 64.4 | 2.1 | 244.2 | 227.9 | -6.7 |
| Rhineland-Palatinate | 38.5 | 41.4 | 7.5 | 147.5 | 143.4 | -2.8 |
| Saarland | 3.3 | 3.9 | 18.2 | 11.5 | 12.6 | 9.6 |
| Berlin, Bremen, Hamburg | 0.9 | 1.0 | 11.1 | 3.3 | 3.4 | 3.0 |
| Total | 1429.0 | 1546.4 | 8.2 | 5336.5 | 5307.1 | -0.6 |

* ranked by production in 2007

Source: Federal German Office of Statistics (destatis)

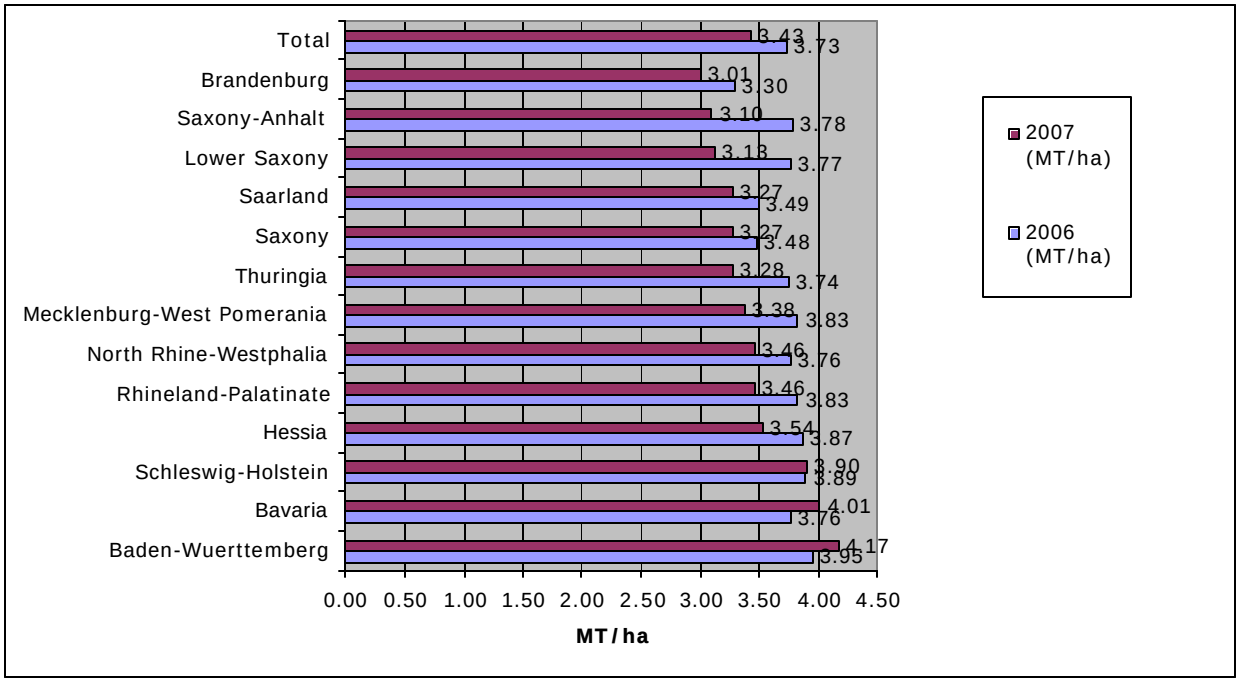
[1] Total for winter and summer rapeseed

**Table 3: Rapeseed[2] Yields per Hectare by State**

| State | 2006 Final (MT/ha) | 2007 Preliminary Final (MT/ha) | Change (in %) |
|---|---|---|---|
| Baden-Wuerttemberg | 3.95 | 4.17 | 5.57 |
| Bavaria | 3.76 | 4.01 | 6.65 |
| Schleswig-Holstein | 3.89 | 3.90 | 0.26 |
| Hessia | 3.87 | 3.54 | -8.53 |
| Rhineland-Palatinate | 3.83 | 3.46 | -9.66 |
| North Rhine-Westphalia | 3.76 | 3.46 | -7.98 |
| Mecklenburg-West Pomerania | 3.83 | 3.38 | -11.75 |
| Thuringia | 3.74 | 3.28 | -12.30 |
| Saxony | 3.48 | 3.27 | -6.03 |
| Saarland | 3.49 | 3.27 | -6.30 |
| Lower Saxony | 3.77 | 3.13 | -16.98 |
| Saxony-Anhalt | 3.78 | 3.10 | -17.99 |
| Brandenburg | 3.30 | 3.01 | -8.79 |
| Total | 3.73 | 3.43 | -8.04 |

* ranked by yield in 2007
Source: Federal German Office of Statistics (destatis)

**Chart 1: Rapeseed Yields by State**




Source: Federal German Office of Statistics (*destatis*)

[2] Total for winter and summer rapeseed

**Sunflowers**

The *destatis* estimates the 2007 sunflower crop at 47,400 MT compared to 61,900 MT in 2006. This is the first official estimate. In Germany, sunflowers are grown on a comparatively small area. Brandenburg and Bavaria account for over two thirds of the total with the rest being geographically spread out over the country.

Compared to 2006, the average yield increased by 30 percent. However, this was more than offset by a 40 percent decrease in area, resulting in a total crop decrease of 23 percent.

**Table 4: Sunflower Production Estimates by State**

| State | 2006 final (1000 ha) | 2007 preliminary (1000 ha) | Change (in %) | 2006 final (1000 MT) | 2007 preliminary (1000 MT) | change (in %) |
|---|---|---|---|---|---|---|
| Brandenburg | 18.7 | 12.0 | -35.8 | 29.8 | 26.9 | -9.7 |
| Bavaria | 5.4 | 2.2 | -59.3 | 14.5 | 6.7 | -53.8 |
| Saxony-Anhalt | 2.8 | 1.6 | -42.9 | 5.2 | 5.3 | 1.9 |
| Saxony | 1.5 | 0.9 | -40.0 | 2.4 | 2.4 | 0.0 |
| Thuringia | 1.9 | 0.8 | -57.9 | 4.9 | 2.3 | -53.1 |
| Baden-Wuerttemberg | 0.7 | 0.5 | -28.6 | 2.1 | 1.7 | -19.0 |
| Rhineland-Palatinate | 0.9 | 0.4 | -55.6 | 2.6 | 1.3 | -50.0 |
| Other states | 0.1 | 0.4 | 300.0 | 0.4 | 0.8 | 100.0 |
| Total | 32.0 | 18.8 | -41.3 | 61.9 | 47.4 | -23.4 |

Source: Federal German Office of Statistics (*destatis*)

**Table 5: Average Sunflower Yield Estimates by State**

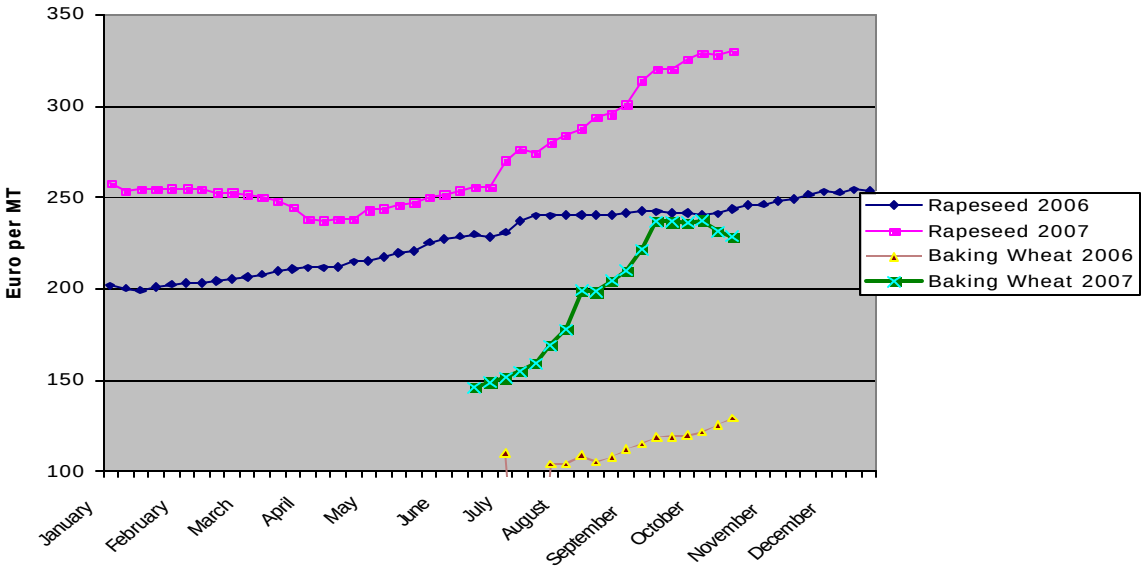
| State | 2006 final (MT/ha) | 2007 preliminary (MT/ha) | change (in %) |
|---|---|---|---|
| North Rhine-Westphalia | 3.00 | 3.60 | 20.00 |
| Saxony-Anhalt | 1.82 | 3.22 | 76.92 |
| Rhineland-Palatinate | 3.02 | 3.14 | 3.97 |
| Baden-Wuerttemberg | 3.05 | 3.13 | 2.62 |
| Bavaria | 2.69 | 3.05 | 13.38 |
| Thuringia | 2.64 | 2.85 | 7.95 |
| Saxony | 1.57 | 2.68 | 70.70 |
| Brandenburg | 1.60 | 2.25 | 40.63 |
| Saarland | 2.00 | 1.97 | -1.50 |
| Mecklenburg-West Pomerania | 1.64 | 1.94 | 18.29 |
| Total | 1.93 | 2.52 | 30.57 |

Source: Federal German Office of Statistics (destatis)

**Prices**

Growing demand for rapeseed oil from the food industry as well as from the biodiesel industry in 2006 resulted in an increase in crushing capacity in 2006 and 2007 and in an increased rapeseed demand. Producer prices in 2007 for rapeseed have continuously exceeded the previous year's prices. At the time of planting for harvest 2008 (August 2007) rapeseed prices ranged between 280 and 300 Euro per MT (roughly USD 410 to 435[3]), which is about 20 to 25 percent higher than prices in August 2006.

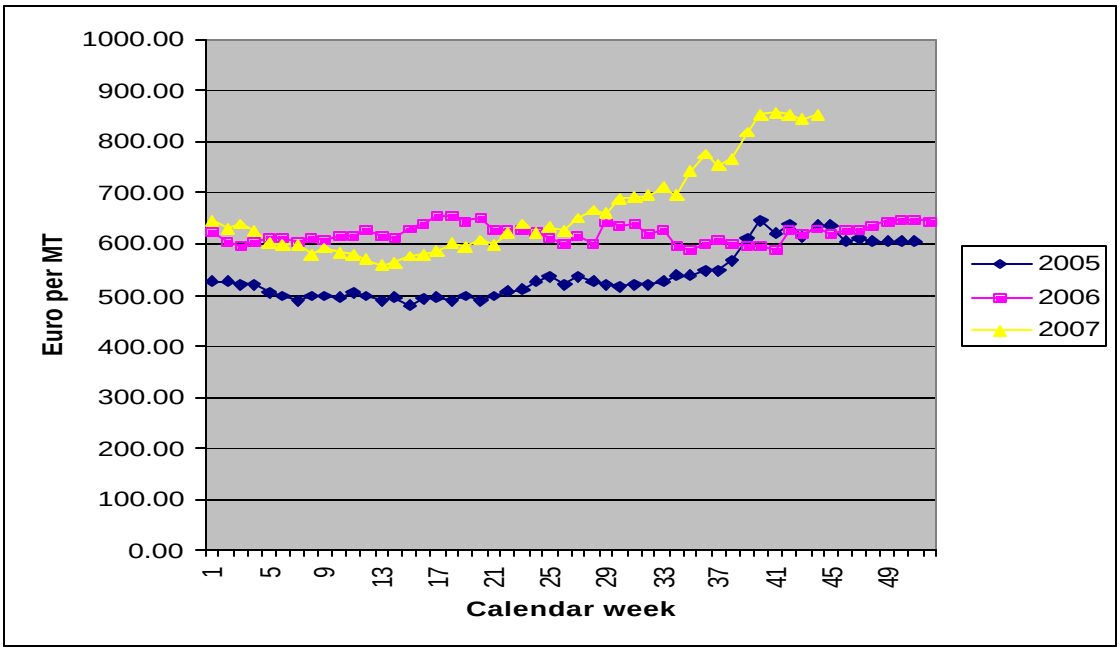
**Chart 2: Average Weekly Producer Prices for Rapeseed and Baking Wheat in Germany**




Source: FAS Berlin based on data from German Market and Price Reporting Agency (ZMP)

[3] Exchange rate: 1 Euro = 1.4425 U.S. $, 1 U.S.$ = 0.6932 Euro, as of October 29, 2007

**Chart 3: Average Weekly Rapeseed Oil Prices (fob oilmill in Germany)**




Source: FAS Berlin based on data from German Market and Price Reporting Agency (ZMP)

### Impact on planting decisions for harvest in 2008

Official estimates on winter rapeseed plantings[4] will only become available at the beginning of calendar year 2008. However, industry estimates a reduction of winter rapeseed plantings of 8 – 10 percent to about 1.4 million ha. This is largely a result of a reduction in the price difference between rapeseed and baking wheat. In August 2007, average baking wheat prices ranged between 178 and 210 Euro per MT (USD 256 to 302) and 30 to 40 percent below rapeseed prices. As a rule of thumb and without taking into account the added value of rapeseed in the crop rotation[5], rapeseed prices need to be about twice as high as wheat prices to make up for higher input costs to render the same profits. In addition, rapeseed has a small time frame for planting of only two weeks. In some areas, rain prevented farmers from accessing the fields and thus planting.

### Outlook

With an area of 1.4 million ha winter rapeseed, production could range between 4.8 million MT (based on 2007 preliminary yields) and 5.2 million MT (based on 2006 yields). The implementation of the next additional 0.06 Euro per liter tax on biodiesel on January 1, 2008, as well as biodiesel imports from other countries could negatively affect rapeseed oil demand from the German biodiesel industry. However, rapeseed oil demand from other EU countries and the world market is expected to sustain. As a result, rapeseed prices are expected to remain on a high level.

[4] Winter rapeseed represents about 99 percent of German rapeseed production.
[5] The deep rooting system of the rapeseed plant and its ability to suppress weeds benefits the following plants in a crop rotation. Research shows that wheat yields can be as much as 0.7 to 2 MT/ha higher if the wheat is planted on an area which was planted with rapeseed in the previous year as opposed to an area which was planted with cereals.

**Related Reports:**

| Number | Date released | Title |
|---|---|---|
| GM7024 | 06/25/2007 | **Cheap Biodiesel Imports Could Potentially Impact German Rapeseed Oil Trade Balance**<br>*Highlight:* German biodiesel producers claim that it is more economical to sell rapeseed oil to the U.S. and import B99 than produce biodiesel from the same rapeseed oil domestically. The current market conditions have resulted in the first German biodiesel companies giving up production at least temporarily. If cheap biodiesel imports make domestic German biodiesel production uneconomical, roughly 2.4 million MT of rapeseed oil will have to be used differently and Germany could well become a net exporter of rapeseed oil again.<br>http://www.fas.usda.gov/gainfiles/200706/146291508.pdf |
| GM7007 | 02/26/2007 | **Winter Rapeseed Area to Hit Records Again**<br>*Highlight:* German winter rapeseed area for harvest in 2007 is estimated at 1.5 million hectares (ha) compared to 1.4 million ha in 2006. The increase in biodiesel production capacity in Germany has resulted in higher rapeseed oil prices and triggered an increase in crushing capacity. This translates into higher rapeseed prices and poses a strong incentive for farmers to expand their rapeseed area. The increase in rapeseed area is expected to result in a reduction of summer crops to be planted in Spring 2007 and voluntary fallow. The German Federal Office of Statistics reports the preliminary final 2006 rapeseed production at 5.3 million MT, a 5.3 percent increase over 2005.<br>http://www.fas.usda.gov/gainfiles/200702/146280269.pdf |
| E47047 | 05/31/2007 | **Oilseeds and Products Annual**<br>*Highlight:* The EU oilseed situation continues to be largely influenced by the demand for biodiesel. With already three consecutive years of record rapeseed harvests, production of rapeseed will again reach new record levels, in keeping with the overall trend for all other major vegetable oils. With entrance of the new EU Member States, Romania and Bulgaria, sunflower seed production is also steadily increasing. Romania is in fact the most important sunflower seed producer in the EU-27. Food use of vegetable oil is expected to remain relatively stable; however, there will be some substitution effects for individual oils. Food use of palm oil is expected to increase due to relative price advantages and the attractiveness of no trans-fatty acids.<br>http://www.fas.usda.gov/gainfiles/200706/146291409.pdf |